

Budget Options

February 2005

Notes

Unless otherwise indicated, all years referred to in this report are fiscal years.

Numbers in the text and tables may not add up to totals because of rounding.

The budgetary effects of the options are estimated in various ways. For options involving defense discretionary spending, changes are measured against the Department of Defense's fiscal year 2005 Future Years Defense Program, as modified by lawmakers in enacting 2005 appropriations.

For almost all of the options involving nondefense discretionary spending, changes are measured in comparison with the level of 2005 appropriations adjusted for inflation. For options that affect mandatory spending, changes are measured in relation to the Congressional Budget Office's current-law baseline. For revenue options, the effects are estimated relative to current-law projections; almost all of the estimates come from the Joint Committee on Taxation.

For most options that affect mandatory spending, the tables show solely the change in outlays because the budget authority would be identical.

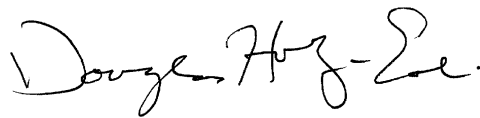


Preface

This volume—one of the Congressional Budget Office's (CBO's) regular reports to the House and Senate Committees on the Budget—presents options for altering federal spending and revenues. The volume aims to help policymakers in their annual tasks of making budgetary choices, setting priorities, and adapting to changes in circumstances.

The options discussed in this report stem from various sources. They are derived from legislative proposals, the President's budget, Congressional and CBO staff, other government entities, and private groups. The options are intended to reflect a range of possibilities; they are neither ranked nor comprehensive. The inclusion or exclusion of a particular idea does not represent an endorsement or rejection by CBO. In keeping with CBO's mandate to provide objective and impartial analysis, the report makes no recommendations, and the discussion of each option presents the cases for it and against it.

Budget Options begins with an introductory chapter that explains how to use the volume. Chapter 2 presents options that affect spending, organized by the functional categories of the budget—national defense; international affairs; general science, space, and technology; and so forth. The options for each function are introduced with a page of background information about spending trends in that function. Chapter 3 contains options that affect revenues. The appendix lists contributors to the report. The volume is available in multiple formats on CBO's Web site, including a version that permits users to search and retrieve options by function, agency, and other criteria.



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Introduction

The Congressional Budget Office (CBO) regularly issues a compendium of options to help inform federal lawmakers about the budgetary implications of policy choices. Policymakers must decide which programs to fund and at what levels and how those revenues are to be raised. Those choices are framed by current fiscal and economic conditions, such as the size of the annual deficit or surplus, the budget outlook for the near term and the long term, and the fiscal and budgetary challenges that lawmakers face. They are also made in light of broad goals for fiscal policy, such as enhancing economic growth and stability, ensuring sustainable fiscal policies, limiting the size of government, or balancing the budget. They may entail considerations like offsetting the cost of new initiatives and making programs more efficient or effective.

This report is intended to help lawmakers assess the spending or revenue effects of the likely types of choices that they may face in the 109th Congress. It does not advocate or adopt a particular fiscal goal or budget target. Furthermore, it does not recommend specific options or provide a comprehensive list of alternatives. Instead, it presents a variety of options to help policymakers in their annual tasks of making budgetary choices, setting priorities, and adapting to changed circumstances. The options in this volume include policy changes that would decrease spending and ones that would increase it, as well as changes that would reduce revenues and that would raise them.

The volume presents budgetary effects over the 10 years covered by CBO's January 2005 budget baseline, although a number of options would have significant effects beyond that horizon. Comprehensive discussions of

long-term budgetary pressures—especially those affecting the Social Security, Medicare, and Medicaid programs—appear in other recent CBO reports.¹

Using This Volume

The spending options in Chapter 2 are classified according to the functional categories of the budget—national defense (050); international affairs (150); general science, space, and technology (250), and so on. For each function, an introductory page provides summary information and data since 2000 on overall trends in mandatory and discretionary spending within that function. For each option, the discussion provides general background information, summarizes arguments for and against the option, identifies whether it affects mandatory or discretionary spending, estimates the annual change in spending for 2006 to 2010, and provides total changes both for that period and for the 10-year period of 2006 to 2015. When appropriate, the options include references to related options and to relevant CBO publications.

The estimated changes from options affecting mandatory spending were computed relative to baseline levels estimated to occur under current law. The changes from options affecting nondefense discretionary spending generally were calculated from appropriation levels for 2005 adjusted for inflation. Savings affecting discretionary spending for defense were measured relative to the Department of Defense's most recent plan as modified by

1. See, in particular, *The Long-Term Budget Outlook* (December 2003) and *The Outlook for Social Security* (June 2004). See also "Slowing the Long-Term Growth of Social Security and Medicare," in Congressional Budget Office, *Budget Options* (March 2003), pp. 253-273.

lawmakers in enacting appropriations for 2005. Estimated amounts from new or increased fees may be classified as offsets to spending (offsetting receipts or offsetting collections) or as new revenues (governmental receipts).²

Chapter 3 discusses options that affect revenues, following the format used in Chapter 2. Each option includes general background information, summarizes arguments for and against the change, and provides estimates of the change in revenues in each of the next five years and the cumulative impact on revenues over the 2006-2010 and 2006-2015 periods. The estimates were computed from baseline revenue levels projected under current law.³ The options also include references to related options and to applicable CBO publications.

An “interactive” version of this volume offering enhanced search capabilities is available on CBO’s Web site (www.cbo.gov). That version allows users to search the entire volume by word or phrase. For the options that affect spending, users can search by spending category (mandatory or discretionary), by budget function, and by federal agency. Those searches can be performed singly or in combination.

Exclusions and Limitations

The budget options discussed in this volume derive from various sources, including legislative proposals, the President’s budget, Congressional and CBO staff, other government entities, and private groups. The options are intended to reflect a range of possibilities; they are neither

ranked nor comprehensive. The inclusion or exclusion of a particular option does not represent an endorsement or rejection by CBO. The volume does not include policy recommendations.

Because the options that address spending are also intended to facilitate the case-by-case review of individual programs, they exclude certain types of broad options that would produce savings in many programs or agencies. Such options might, for example, freeze or cut federal spending across the board or eliminate an entire department or major agency.

Some of the options affecting state, local, or tribal governments or the private sector may involve federal mandates. Under the Unfunded Mandates Reform Act of 1995, which establishes procedures that are intended to promote informed decisions about mandates, CBO estimates the costs of mandates imposed by new legislation that the Congress is considering. However, the options in this volume do not address the costs of potential mandates.

In calculating the changes to spending or revenues for the individual options, CBO did not include changes in federal interest costs. Interest costs or savings typically are estimated as part of a comprehensive budget plan, such as the Congressional budget resolution, but such adjustments are not made for individual options of the type discussed in this volume.

Subsequent CBO cost estimates (as well as subsequent revenue estimates by the Joint Committee on Taxation) for legislative proposals that resemble options in this volume may differ from the estimates shown in this report. The policy proposals on which those later estimates are based may not precisely match the options in this volume. Furthermore, the baseline budget estimates or levels against which such proposals ultimately are measured may have been updated and thus would differ from those used here.

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2. In general, if the fee supports a businesslike activity, it is classified as an offset to spending. If it is based on the government’s sovereign power to tax, it is classified as a revenue. Fees classified as spending offsets may be further categorized as either mandatory or discretionary, depending generally on the type of legislation that provided for the collections.
 3. For cost estimates of legislation that would amend the Internal Revenue Code, CBO is required by law to use estimates provided by the Joint Committee on Taxation.

CHAPTER

2

Spending Options

